

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 TRSE-00 OMB-01 /080 W
-----010655 080755Z /13

R 071640Z SEP 78
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC 7108
INFO EC COLLECTIVE
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY REYKJAVIK
AMEMBASSY STOCKHOLM
USMISSION USNATO
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 01 OF 02 COPENHAGEN 5781

BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS
TAGS: PINT, DA
SUBJECT: THE NEW SOCIAL DEMOCRATIC-LIBERAL GOVERNMENT - ITS BACK-
GROUND AND PROSPECTS

REF: A. COPENHAGEN 5521 (NOTAL
B. COPENHAGEN 5523 (NOTAL)
C. COPENHAGEN 5656 (NOTAL)
D. COPENHAGEN 5702

INTRODUCTION AND SUMMARY:.. THIS MESSAGE SUMMMARIZES A
LONGER AIRGRAM WHICH DRAWS TOGETHER AND ANALYZES
THE MISSION'S PRELIMINARY REPORTING ON DENMARK'S
NEW SOCIAL DEMOCRATIC-LIBERAL MINORITY GOVERNMENT,
ANNOUNCED ON AUGUST 30 AFTER THREE WEEKS OF INTENSE,
CLOSED-DOOR NEGOTIATION (REF A). THE GOVERNMENT,
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WHOSE PROGRAM IS PRIMARILY DESIGNED TO REDUCE DEN-
MARK'S BALANCE OF PAYMENTS DEFICIT AND UNEMPLOYMENT,
DOES NOT ENVISAGE CHANGES IN THE FORMER SOCDEM
MINORITY GOVERNMENT'S FOREIGN, DEFENSE OR EC POLICIES
(REF C). ALTHOUGH COMPRISING ONLY 88 SEATS OF THE 178
MEMBER FOLKETING, SUPPORT FROM THE CENTER-RIGHT PARTIES
IS EXPECTED TO PERMIT IT TO LEGISLATE EFFECTIVELY.

END INTRODUCTION AND SUMMARY.

A. BACKGROUND

1. SOCIAL DEMOCRATIC CHAIRMAN AND PRIME MINISTER ANKER JORGENSEN, ORIGINALLY SOMEWHAT TO THE LEFT OF THE SOCIAL DEMOCRATIC CENTER, HAS BECOME CONVINCED THAT THE FACTS OF DENMARK'S ECONOMIC LIFE REQUIRE COOPERATION WITH THE DANISH POLITICAL CENTER. ALREADY IN 1975 AND 1976 HE HAD REACHED COMPROMISES WITH THE CENTER-RIGHT PARTIES IN ORDER TO OBTAIN BACKING FOR LIMITED ECONOMIC RESTRICTIVE MEASURES. THESE PROVED INADEQUATE TO DENMARK'S GROWING BALANCE OF PAYEMENTS DEFICIT AND LARGE UNEMPLOYMENT. EFFORTS IN SPRING 1978 BY THE FOUR CENTER-RIGHT PARTIES TO ESTABLISH CLOSER COOPERATION AMONG THEMSELVES SUGGESTED TO JORGENSEN THAT HE WOULD HAVE EVEN LESS ROOM TO EFFECT NECESSARY LEGISLATION. PROBABLY IN LARGE PART TO SPLIT THE CENTER-RIGHT, JORGENSEN IN MAY PUBLICLY SUGGESTED A BROADENED GOVERNMENT, COMPRISING THE RADICAL LIBERALS (6 SEATS OF THE 179) AND THE LIBERALS (22 SEATS) IN ADDITION TO THE INCUMBENT SOCIAL DEMOCRATS (66 SEATS).

2. INITIALLY, THE LIBERALS PROFESSED THEIR UNWILLINGNESS TO PARTICIPATE IN A GOVERNMENT WITHOUT THE CONFIDENTIAL

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CONSERVATIVES (15 SEATS), BUT AFTER A MEETING ON AUGUST 3 OF THE LIBERAL FOLKETING GROUP, THE LIBERALS REVERSED THEMSELVES. THEY DECLARED THEIR WILLINGNESS TO ENTER INTO NEGOTIATIONS WITH THE SOCIAL DEMOCRATS, PROVIDED THE RADICAL LIBERALS WERE OMITTED. ON AUGUST 8 THE TALKS BEGAN WITH ANKER JORGENSEN HEADING A FOUR-MAN SOCIAL DEMOCRATIC TEAM; THE 38-YEAR OLD HENNING CHRISTOPHERSEN, THEN PRIMUS INTER PARES OF THE TWO LEADING CONTENDERS TO SUCCEED THE RECENTLY RESIGNED LIBERAL CHAIRMAN (POUL HARTLING,), HEADED THE LIBERALS' FOUR NEGOTIATORS (WHO INCLUDED IVAR HANSEN, THE MORE CONSERVATIVE SECOND CONTENDER).

3. BOTH JORGENSEN AND CHRISTOPHERSEN, WHO EFFECTIVELY BECAME THE LIBS FULL LEADER WITH THE DECISION TO BEGIN NEGOTIATIONS, SHARED A CONVICTION THAT DENMARK'S ECONOMIC SITUATION REQUIRED "EMERGENCY" (CHRISTOPHERSEN'S TERM) MEASURES. IN ADDITION, THE LIBS, WHOSE PARTY HAD BEEN DWINDLING SINCE THE FIFTIES, CONCLUDED THAT THEIR POLITICAL FORTUNES COULD GAIN SUBSTANTIALLY BY GOVERNMENTAL PARTICIPATION. MOREOVER, THE TALKS SOON DEVELOPED A MOMENTUM OF THEIR OWN, WITH BOTH

PARTIES PREPARED TO MAKE COMPROMISES IN ORDER TO FASHION AN AGREEMENT FEATURING MEASURES TO REDUCE THE BALANCE OF PAYMENTS DEFICIT AND TO CONTROL INFLATION (REF C); FOREIGN AFFAIRS, SECURITY POLICY AND EC MARKET POLICY, IT WAS AGREED, WOULD BE UNCHANGED.

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B. THE COALITION GOVERNMENT

4. ON AUGUST 31 JORGENSEN AND CHRISTOPHERSEN ANNOUNCED AGREEMENT ON A NEW GOVERNMENT COMPOSED OF 14 SOCDEMS AND 7 LIBS (REF B). JORGENSEN WAS THE PRIMIN AND CHRISTOPHERSEN THE FONMIN, A POST WHEREIN HE IS SOMEWHAT BALANCED OFF BY THE REAPPOINTMENT OF LISE OSTERGAARD AS MINISTER WITHOUT PORTFOLIO "WITH SPECIAL RESPONSIBILITY FOR FOREIGN AFFAIRS." THE DISTRIBUTION OF PORTFOLIOS HAD ECONOMIC RESPONSIBILITY DIVIDED AMONG BOTH PARTIES, IDEOLOGICALLY IMPORTANT MINISTRIES OF SOCIAL AFFAIRS, CULTURE AND EDUCATION REMAINING WITH THE SOCDEMS, AND PUBLIC WORKS (WHICH WOULD HAVE BEEN RESPONSIBLE FOR THE APPARENTLY POSTPONED STOREBELT BRIDGE) WITH THE LIBS. SOCDEM JENS KAMP-MANN, ASSOCIATED WITH THE IDEOLOGICALLY CONTENTIOUS

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PREVIOUS TAX REFORM PROGRAM, WAS NOT INCOUDED IN THE CABINET, NOR WAS SOCDEM KJELD OLSESEN, HITHERTON RESPONSIBLE, INTER ALIA, FOR THE STOREBELT BRIDGE.

5. THE NEW GOVERNMENT HAS BEEN WELL RECEIVED BY LIBERAL SUPPORTERS. BUSINESS CIRCLES WELCOMED THE COALITION AND CENTER-RIGHT PARTIES HAVE INDICATED SUFFICIENT SUPPORT TO PERMIT PASSAGE OF THE GOVERNMENT'S PROGRAM. THE EXTREME LEFT IS PREDICTABLY OPPOSED, BUT THE TRADE UNION MOVEMENT AND SOCDEM LEFT WING ALSO HAVE BEEN VIGOROUS IN THEIR CRITICISM OF ANKER JORGEN PERSONALLY AND OF THE COALITION (REF D). THE GOVERNMENT, WHICH HAD HOPED TO GET SPEEDY PASSAGE OF TWO ELEMENTS OF ITS PROGRAM - A 2 PERCENT VAT INCREASE AND A WAGE AND PRICES MEASURE - AT AN EMERGENCY FOLKETING SESSION, HAS RUN INTO SUFFICIENT RESIISTANCE TO FORCE IT TO MODIFY ITS VAT PROPOSAL, WHICH IS STILL BEING DEBATED. THE GOVERNMENT APPEARS, HOWEVER, TO HAVE MUSTERED SUFFICIENT SUPPORT WITH THE HELP OF CENTER-RIGHT VOTES TO OBTAIN PASSAGE OF THESE PROPOSALS, ALBEIT AFTER SOME SEVERAL DAYS LONGER PARLIAMENTARY DEBATE THAN ANTICIPATED.

C. PROSPECTS

6. ONCE HAVING GOTTEN BEYOND ITS ROCKY START, THE NEW GOVERNMENT IS EXPECTED TO SETTLE IN AND OBTAIN THE ESSENTIAL ELEMENTS OF ITS PROGRAM. A GENERAL DISTASTE AMONG POLITICNAS FOR EARLY ELECTIONS: A BROAD RECOGNITION THAT DENMARK'S GROWING ECONOMIC DIFFICULTIES DEMAND AMELIORATION: THE BUSINESS COMMUNITY'S DESIRE FOR STABILITY: AND THE TRADE UNION'S REAL LACK OF AN ALTERNATIVE TO THE SOCDEMS ALL SUGGEST THE

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GOVERNMENT'S SURVIVAL.

7. THE NEW COALITION IS NOT EXPECTED TO MAKE ANY SIGNIFICANT CHANGES IN FOREIGN, DEFENSE OR EC POLICY. THERE MAY, HOWEVER, BE MINOR NUANCES OF DIFFERENCE, ESPECIALLY CONCERNING THE MAGNITUDE OF ASSISTANCE TO DEVELOPING COUNTRIES AND IN THE DEGREE OF SUPPORT GIVEN TO THE LIBERATION MOVEMENTS IN SOUTH AFRICA. THESE, IN ANY EVENT, WOULD NOT CONFLICT WITH US

INTERESTS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COALITION GOVERNMENT, POLITICAL SITUATION, FORM OF GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 07 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978COPENH05781
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780365-1015
Format: TEL
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780994/aaaadacz.tel
Line Count: 226
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cd0b6956-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 COPENHAGEN 5521, 78 COPENHAGEN 5523, 78 COPENHAGEN 5656, 78 COPENHAGEN 5702
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1522743
Secure: OPEN
Status: NATIVE
Subject: THE NEW SOCIAL DEMOCRATIC-LIBERAL GOVERNMENT - ITS BACK- GROUND AND PROSPECTS
TAGS: PINT, DA
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/cd0b6956-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014